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"Nurturing Business and Banking Sustainability"

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 2nd International Conference on Business and Banking Innovations (ICOBBI) with the topic "*Nurturing Business and Banking Sustainability*". This proceeding contains several researches articles from many fields in Marketing, Management Technology, Finance, Banking, Human Resources Management, Information System Management, and Islamic Economics.

The 2nd International Conference on Business and Banking Innovations was held on 14th – 15th August 2020 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with six Higher Education Institutions in Indonesia and five Universities from Asia countries. Keynote speakers in this conference were: Prof. Angelica M..Baylon, Ph.D (Director of the Maritime Academy of Asia and the Pacific, Philippines), Chonlatis Darawong, Ph.D. (Head of the Master of Business Program Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand), Prof. Madya Dr. Reevany Bustami (Director of Centre for Policy Research and International Studies Universiti Sains Malaysia), Associate Prof. Dr. Ellisha Nasruddin (Graduate School of Business Universiti Sains Malaysia), Associate Prof. Pallavi Pathak Ph.D. (School of Management Sciences, Varanasi, India) and Prof. Dr. Tatik Suryani (Head of the Master of Management Study Program of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the six universities, namely Universitas 17 Agustus Surabaya, Universitas Surabaya, Universitas Dr. Soetemo Universitas Dian Nuswantoro Semarang, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website https://pascasarjana.perbanas.ac.id.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.

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Effect of Asset Quality, Liquidity, Solvability, Efficiency and Good Corporate Governance (GCG) Towards Go Public Bank Profitability in Indonesia

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A B S T R A C T

This study aims to examine and analyze the effect of Asset Quality, Liquidity, Solvency, Efficiency and Good Corporate Governance (GCG) on Profitability. This research is a causal research which is a causal relationship between independent variables consisting of asset quality, liquidity, solvency, efficiency and GCG to the dependent dependent profitability. The research sample is conventional commercial banks both foreign exchange and non-foreign exchange listed on the Indonesia Stock Exchange from 2010 to 2017. Data collection methods used are documentation techniques, namely secondary data retrieval in the form of annual bank reports on the webside of each bank, reports published on the Financial Services Authority (OJK) webside. Inferential analysis used in this study includes descriptive statistical analysis and multiple linear analysis. The results showed that the quality of assets proxied by NPLs had a significant negative effect on the profitability of banks going public in Indonesia. Liquidity that is proxied by LDR does not have a significant negative effect on the profitability of banks going public in Indonesia. Solvency which is proxied by EAR has no significant negative effect on the profitability of banks going public in Indonesia. Efficiency which is proxied by NIM has a significant positive effect on the profitability of banks going public in Indonesia. Good Corporate Governance (GCG) has a significant positive effect on the profitability of banks going public in Indonesia

1. INTRODUCTION

Number ten of 1998 Republic of Indonesia Law concerning banking. Bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and or other forms in order to improve the lives of many people. Understanding the bank according to Dendawijaya (2005: 14) is a business entity whose main task is as a financial intermediaries, which channel funds from excess funds (idle fund surplus units) to those who need funds or lack of funds (deficit unit) at the specified time.

An assessment of a bank's performance can be done through analysis and conclusions from the bank's financial statements published in a certain period. Based on the bank's financial statements can be obtained information about the financial position, and information about the performance of the bank and the financial condition of a bank in a certain period. The fundamental objective of the banking business is to obtain optimal benefits by providing financial services to the public (Kuncoro, 2011: 496). Banks must be able to maintain good performance, especially high levels of profitability.

Brigham and Houston (2006: 107) define profitability as the end result of a number of policies and decisions made by companies. Profitability ratios can provide an overview of the effectiveness of the company's management in seeking profits. The higher the profitability of a bank means the better the bank's performance. This ratio is used to measure the level of business efficiency and profitability achieved by the bank concerned.

In this study Return On Assets (ROA) is a proxy of profitability. ROA is used because in addition to being a measure of bank profitability, this ratio is at the same time an indicator of bank managerial efficiency which indicates management's ability to manage its assets for profit (Rose, 1996: 169). ROA shows the

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ability of bank management to generate income from managing assets owned.

Return on Assets used to measure the ability of bank management in obtaining profits (profits) as a whole. The greater the ROA of a bank, the greater the level of profit achieved by the bank and the better the bank's position in terms of asset use (Kuncoro and Suhardjono, 2002: 118). Ratios that affect ROA include NPL, LDR, EAR, NIM and GCG.

Based on previous research that indicates a research gap. Non-performing loans (NPLs), the higher the NPL ratio, the worse the quality of credit so banks must provide a higher allowance for impairment losses (CKPN). The increase in CKPN will cause an increase in costs which will ultimately reduce profitability which causes ROA to fall. This means that NPL has a significant negative effect on ROA. Consistent with findings by San et al (2013), Yesmine et al (2015) Chimkono et al (2016) and Ongore et al (2013). Other research findings conducted by Jha et al (2012). Jha et al (2012) found that NPL did not have a significant effect on ROA.

Loan to deposit ratio (LDR), The higher the ratio gives an indication of the lower capability of the bank's liquidity. On the other hand, the lower the ratio indicates the less optimal lending of a bank. The high LDR shows the high level of third party funds channeled in the form of credit. The higher the credit, the ROA will increase. So that LDR is positively related significantly to ROA. Consistent with research conducted by Rengasamy (2014), in contrast to those studied by Almazari (2014) and Yesmine et al (2015) found that LDR had a significant negative effect on ROA while Jha et al (2012) found that LDR had no significant effect on ROA.

Equity to total asset ratio(EAR), The higher the ratio means the higher the paid up capital of the bank owner. This means that the bank's ROA will increase. So EAR has a significant positive effect on ROA. Consistent with research conducted by Ongore et al (2013) and Almazari (2014) on the other hand San et al (2013) and Bilal et al (2013) found that EAR had a positive but not significant effect on ROA.

Net interest margin(NIM), the higher the NIM value, the better the bank's budget in spending its investment, so that the bank's ability to increase its profit is increasingly optimal. Then the NIM has a significant positive effect on ROA. This is consistent with research conducted by Bilal et al (2013) while Jha et al (2012) found that NIM had a significant negative effect on ROA.

Good Corporate Governance (GCG), corporate governance is a system designed to direct professional management of the company based on the principles of transparency, accountability, responsibility, independence, fairness and equality. corporate governance can encourage the formation of clean, transparent and professional management work patterns. The implementation of good corporate governance will increase company profitability. It can be concluded that GCG has a significant positive effect on ROA. Consistent with research conducted by Putra et al (2017) on the other hand research conducted by Doganet al (2013) has a significant negative effect on ROA. Whereas Manda et al (2017) in their research found that GCG had no significant positive effect on ROA.

Based on the explanation above, as well as the existence of previous research gap, the writer feels that it is necessary to do the research again with the title "Effect of Asset Quality, Liquidity, Solvency, Efficiency and Good Corporate Governance (GCG) on Profitability". Based on the formulation of the existing problems, the objectives of this research are:

1. To test and analyze the quality of assets proxied by NPLs has a significant negative effect on the profitability of banks going public in Indonesia.
2. To test and analyze liquidity that is proxied by LDR has a significant positive effect on the profitability of banks going public in Indonesia.
3. To test and analyze the solvency which is proxied by EAR has a significant positive effect on the profitability of banks going public in Indonesia.
4. To test and analyze the efficiency that is proxied by NIM, it has a significant positive effect on the profitability of banks going public in Indonesia.
5. To test and analyze Good Corporate Governance (GCG) significant positive effect on the profitability of banks going public in Indonesia.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Prior Research

Ong Tze San and Teh Boon Heng (2013) conducted a study of factors affecting the profitability of commercial banks in Malaysia which aimed to investigate the impact of specific bank characteristics and

macroeconomic conditions on the financial performance of Malaysian commercial banks, during the period 2003 to 2009. Results from this study is they find that ROA is the best measure of profitability. EAR has no significant positive effect on ROA. Loan loss reserves to gross loan ratio (LLR). COST has a significant negative effect on ROA. LIQ has not a significant positive effect on ROA. Whereas GDP and Inflation do not affect profitability performance.

Usman Dawood (2014) examines the factors that affect the profitability of commercial banks in Pakistan during the 2009-2012 period. The results of this study found that capital adequacy has a significant positive effect on ROA. Liquidity has a significant negative effect on ROA. Deposit to assets has an insignificant positive effect. Cost efficiency has an insignificant negative effect. The size of the bank has an insignificant positive effect.

Ahmad Aref Almazari (2014) examines the impact of internal factors on bank profitability (Comparative Study between Saudi Arabia and Jordan). This study found that the profitability (ROA) of Saudi Aab banks was greater than the profitability of Jordanian banks. This implies that there is a significant negative effect on CIR, TIA and SZE on ROA.

Sabina Yesmine and Mohammad Saif Uddin Bhuiyah (2015) examine the determinants of bank financial performance. The results of the study foundthat OPEFFI and AUTI have a significant positive effect on ROA of private banks and in state-owned banks. While LIQ and CR have a significant negative effect on ROA. For CADE it was found that had a significant positive effect on ROA for private banks while CADE for state-owned banks had a non-significant negative effect on ROA. This study also found that SIZE had no significant positive effect on ROA.

Eston Eston Chimkono, Willy Muturi, Agnes Njeru (2016) investigated the effect of bad credit and other factors on the performance of commercial banks in Malawi which aims to determine the effect of non-performing loans (NPLs) and other determinants on the financial performance of commercial banks in Malawi. In this study it was found that NPL and CER had a significant negative effect on ROA. While the CRR has no significant negative effect on ROA. It was also found that ALIR had a significant positive effect on ROA.

Dhanuskodi Rengasamy (2014) conducted a study of the impact of loan to deposit ratio (LDR) on profitability in Malaysia. This study found that LDR did not have a significant positive effect on ROA in banks 1,2,3,4 and 8. While for bank 5, LDR had no significant negative effect on ROA. It was also found that LDR had a significant positive effect on ROA in body 7.

Vincent Okoth Ongore and Gemechu Berhanu Kusa (2013) examined the determinants of financial performance of commercial banks in Kenya.The results of this study found that Capital Adequacy and Management Efficiency has a significant positive effect on bank performance while asset quality has a significant negative effect on ROA. The effect of Liquidity on bank performance is not strong. The ratio apparently did not have a significant effect on bank performance in Kenya. Meanwhile, to state that macroeconomic variables affect bank performance in Kenya for 2001-2010, it cannot be concluded.

Suvita Jha and and Xiaofeng Hui (2012) conducted a study on "A comparison of financial performance of commercial banks: A case study of Nepal"with the aim of evaluating the factors that determine the performance of Nepal's commercial banks. The results of this study found that CAR, IETTL and NIM had a significant negative effect on ROA. Whereas NPL and CDR do not have a significant effect on ROA. On the other hand CAR has a positive effect on ROE but NPL, CDR, IETTL and NIM have no significant effect on ROE.

Muhammad Bilal, Asif Saeed, Ammar Ali Gull and Toquer Akram (2013) examined the effect of specific factors of banks and macroeconomics on the profitability of commercial banks (Case Study in Pakistan). The study found that BS and NIM and macroeconomics had a significant positive effect on profitability, NPL negatively had no significant effect on ROA but had a significant negative effect on ROE while DA and CR had no significant positive effect on ROA.

Agus Santoso Putra and Nila Firdausi Nuzula (2017) examine the effect of corporate governance on profitability. This study found that Good Corporate Governance (GCG) simultaneously had a significant effect on ROA but not significantly on ROE.

Manda and Sally (2017) conducted a study on the effect of good corporate governance (GCG) on the profitability of banking companies. In this study it was found that GCG had no significant positive effect.

Mesut Dogan, Bilge Leyli Elitas, Veysel Agca and Serdar Ogel (2013) research on dThe dualism of CEOs appears on the performance of companies in Turkey. In the research found that CEO dualism has a

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significant negative effect on company performance.

Profitability

Brigham and Houston (2006: 107) define profitability as the end result of a number of policies and decisions made by companies. Profitability ratios can provide an overview of the effectiveness of the company's management in seeking profits. The higher the profitability of a bank means the better the bank's performance.

In this study Return On Assets (ROA) is a proxy of profitability. Return on Assets is used to measure the ability of bank management to obtain profits (profits) as a whole. The greater the ROA of a bank, the greater the level of profit achieved by the bank and the better the bank's position in terms of asset use (Mudrajad kuncoro, Suhardjono 2002, p. 118). In accordance with SE BI number 6/23 / DPNP on May 31, 2004 the calculation of ROA can be formulated by:

ROA = (Laba Sebelum pajak) / (Rata-Rata Total Asset) X 100% ……………………………………......... (1)

Asset Quality

The quality of earning assets (KAP) is the ratio (ratio) between the allowance for possible losses on earning productive assets (PPAD) and the allowance for possible losses on productive assets (PPAWD). Based on Bank Indonesia regulations, in the Decree of the Board of Directors of BI number 31/148 / KEP / DIR dated November 12, 1998, each bank is required to form a special reserve intended to accommodate the possibility of losses resulting from a decline in the quality of productive assets.

In this research, Non-Performing Loans (NPL) are a proxy for asset quality. NPL can be used to measure the extent to which problem loans can be met with productive assets owned by banks (Mulyono, 1986). Bank Indonesia instructs the calculation of Non-Performing Loans in annual reports of national banks in accordance with SE BI No. 6/23 / DPNP dated May 31, 2004 concerning Calculation of bank financial ratios, as for formulated as follows:

NPL = (Kredit kurang lancar, diragukan, dan macet) / (Total Kredit) ×100% ……………….......... (3)

Liquidity Ratio

According to Weston (1993: 295) liquidity ratio is a ratio that shows the relationship of a company's cash and other current assets to its current liabilities. The liquidity ratio measures the company's short-term liquidity capability by looking at the company's current assets relative to its current debt. In this study the LDR (Loan to Deposit Ratio) becomes a proxy of the liquidity ratio. LDR is a ratio used to measure the composition of the amount of credit given compared to the amount of public funds (Kasmir, 2008: 225). This ratio shows one of the bank's liquidity assessments and can be formulated

LDR = jumlahkredityangdiberikan / total dana pihak ketiga x 100%... (4)

Solvency Ratio

The bank solvency ratio is a measure of the bank's ability to find sources of funds to finance its activities (Kasmir, 2008: 229). Dendawijaya (2001: 120) defines a solvency ratio analysis is an analysis used to measure the ability of banks to meet their long-term obligations or the ability of banks to meet obligations in the event of bank liquidation.

In this study, Equity to total assets ratio (EAR) is a proxy of solvency ratios. Hanafi (2008) defines Equity to assets ratio (EAR) as a proportion of assets whose source of funds comes from equity or shares. This ratio is obtained by comparing the amount of equity with the amount of assets. This ratio shows the amount of own capital embedded in the company to meet the company's capital needs (Judisseno, 2002) Equity to total assets ratio (EAR) can be formulated as follows:

EAR = (Total Modal)/(total Aset) × 100%..(5)

Efficiency Ratio

Efficiency Ratio or Efficiency Ratio is one indicator of the ability of bank management in controlling operational costs to operating income (Susilowati, 2019).

In this research, net interest margin (NIM) is a proxy of the efficiency ratio. This ratio shows earnings assets in generating net interest income (Rivai, 2012: 480). Net Interest Margin (NIM) is one indicator that can be used in measuring bank efficiency. High net interest margins are often related to the presence of

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inefficiencies in the banking system, especially in developing countries, because costs incurred as a result of efficiency are transferred to bank consumers by charging high interest rates (Fry, 1995; Randall, 1998; and Barajas et al. 1999). In contrast to lower net interest margins, the expected social costs incurred by the public towards inter banking medical activities carried out will also be low.

NIM = (Pendapatan Bersih) / (Rata-Rata Produktif) ×100%……………………………………… (6)

Good Corporate Governance(GCG)

According to the World Bank, the definition of Good Corporate Governance is a collection of laws, regulations, and rules that must be fulfilled that can encourage the performance of company resources to function efficiently in order to produce long-term sustainable economic value for shareholders and the public around as a whole (Effendi, 2016: 1).

GCG measurement uses the formula for determining the ranking of GCG factors categorized into five ranks namely first, second, third, fourth and fifth. The smaller ranking of GCG factors reflects better GCG implementation. The better the implementation of GCG, the bank's profitability will increase is a hypothesis in this study. To make it easier to test the data, the composite value is inversed. The following formula is used in inverse composite values:

GCG1 = 6 - GCG .... (7)

Information:

GCG1 : Inverse value

6 : Constants

GCG : The value of GCG is based on the bank's annual report

Influence Between Variables

The Effect of Non-Performing Loans (NPL) on Return on Assets (ROA)

NPL can be used to measure the extent to which problem loans can be met with productive assets owned by banks (Mulyono, 1986). The higher the NPL ratio, the worse the quality of credit, so banks must provide a higher allowance for impairment losses (CKPN). Increased allowance for impairment losses (CKPN) will cause increased costs so that it will reduce profitability which causes ROA to fall. This means that NPL has a significant negative effect on ROA.

Research conducted by San et al (2013), Yesmine et al (2015) Chimkono et al (2016) and Ongore et al (2013) found that NPL had a significant negative effect. Other research findings by Jha et al (2012) found that NPL does not have a significant effect on ROA. Whereas research conducted by San et al (2013) and Bilal et al (2013) found that NPLs had no negative effect.

Effect of Loan to Deposit Ratio (LDR) on Return on Assets (ROA)

LDR is a ratio used to measure the composition of the amount of credit given compared to the amount of public funds (Kasmir, 2008: 225).The higher LDR of a bank shows that the investment function is running well, but on the other hand a high LDR level also reflects tighter liquidity. From the above statement it can be concluded that the increase in LDR will also affect the profitability of banks proxied by ROA. So LDR is positively related to ROA.

Research conducted by Rengasamy (2014) found that LDR had a significant positive effect on ROA, in contrast to those studied by Almazari (2014) and Yesmine et al (2015) found that LDR had a significant negative effect on ROA while Jha et al (2012) found that LDR has no significant effect on ROA.

Effect of Equity to Total Assets Ratio (EAR) on ROA

Hanafi (2008) defines Equity to Assets Ratio (EAR) as a proportion of assets whose source of funds comes from equity or shares. This ratio is obtained by comparing the amount of equity with the amount of assets. This ratio shows the amount of own capital embedded in the company to meet the company's capital needs (Judisseno, 2002). The higher the EAR, the better the bank's budget in investing, so the bank's ability is inincrease profits to be optimal.

Research conducted by Ongore et al (2013), Almazari (2014) and Dawood (2014) found that EAR had a significant positive effect on ROA, on the other hand San et al (2013) and Bilal et al (2013) found that EAR had a positive influence but not significant to ROA.

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Effect of Net Interest Margin (NIM) on ROA

Darmawi (2011: 224) defines net interest margin (NIM) is the difference between all interest receipts on bank assets and all interest costs on bank funds obtained. This ratio shows earnings assets in generating net interest income (Rivai, 2012: 480). Research conducted by Bilal et al (2013) found that EA while Jha et al (2012) found that NIM had a significant negative effect on ROA.

The Effect of Good Corporate Governance (GCG) on ROA

Corporate governanceis a system designed to direct the management of the company professionally based on the principles of transparency, accountability, responsibility, independence, fairness and equality. corporate governance can encourage the formation of clean, transparent and professional management work patterns. The ranking of GCG factors is categorized into five ranks, namely first, second, third, fourth, and fifth. The smaller ranking of GCG factors reflects better GCG implementation. Based on the statement above, it is said that the smaller the composite value, it can increase the company's profit

Research conducted by Putra et al (2017) found that GCG has a significant effect on ROA, on the other hand research conducted by Dogan et al (2013) has a significant negative effect on ROA. Whereas Manda et al (2017) in their research found that GCG had no significant positive effect on ROA.

Framework

Based on the theoretical basis and research objectives, the following framework of thinking:

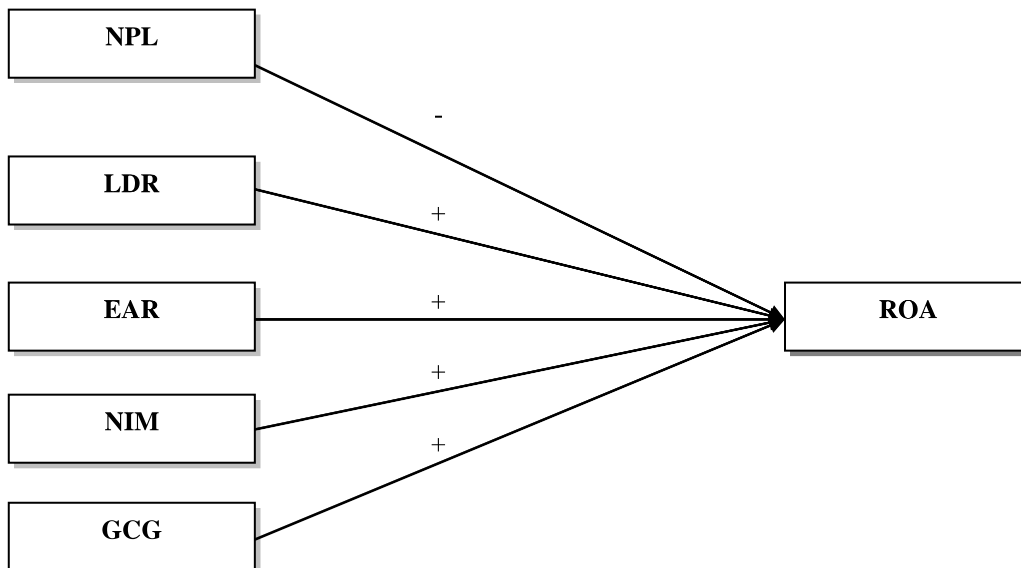

Figure 1. Framework

Research Hypothesis

Based on the explanation above, the research hypothesis is proposed as follows:

H_1 : There is a significant negative effect on quality asset against the profitability of banks going public in Indonesia

H_2 : There is a significant positive effect of liquidity on bank profitability go public in Indonesia

H_3 : There is a significant positive effect of solvency on bank profitability go public in Indonesia

H_4 : There is a significant positive effect Efficiency in the profitability of banks going public in Indonesia

H_5 : There is a significant positive effect Good Corporate Governance on the profitability of banks going public in Indonesia

3. RESEARCH METHOD

Research design

Based on the characteristics of the problem, this research is causal research. This is because this re-

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search is a causal relationship between independent variables consisting of asset quality, liquidity, solvency, Efficiency and GCG to the dependent, namely profitability. (kuncoro, 2013: 15)

Variable Identification

Based on the theoretical foundation and research hypothesis, this study will use two types of variables namely the dependent variable and the independent variable which can be identified as follows:

1. The dependent variable (dependent variable) is profitability
2. Independent variables (Independent Variables) are asset quality, liquidity, solvency, Efficiency and Good Corporate Governance (GCG)

Population, Samples and Sampling Techniques

The population of this study is the bank going public in Indonesia which is listed on the Indonesia stock exchange for the period 2010 to 2017. The sampling method that will be used in this study is the judgment sampling method, which is one form of purposive sampling by taking predetermined samples based on the aims and objectives of the study. The criteria used in this study are:

1. Conventional Commercial Banks both foreign exchange and non-foreign exchange listed on the Indonesia Stock Exchange from 2010 to 2017
2. Banks that issue bank annual report data and GCG reports from 2010 to 2017 with complete data include Return on Assets (ROA), non-performing loans (NPLs), loan to deposit ratio (LDR), Equity to total Assets (EAR), Net Interest Margin (NIM) and GCG Self-assessment composite values.

Data and Data Collection

Judging from its nature, the type of data used is quantitative data and the source used is secondary data in the form of annual financial statements of banks going public listed on the Stock Exchange during the period 2010 to 2017. Data collection methods used are documentation techniques, namely secondary data retrieval in the form of bank annual reports on each bank's website, reports published on the Financial Services Authority (OJK) website.

Data analysis technique

Inferential analysis used in this study included descriptive statistical analysis of research variables and multiple linear analyzes processed using SPSS software. Multiple linear analysis is used to test the effect of variable X on Y. This study used five independent variables and one dependent variable. The independent variables in this study are credit quality, liquidity, solvency, Efficiency and Good Corporate Governance (GCG), while the dependent variable is profitability.

4. DATA ANALYSIS AND DISCUSSION

Descriptive Analysis

Table 1. Results of Descriptive Statistic Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitabiltas	200	-12.90	4.70	1.1665	2.24484
Kualitas aset	200	.21	50.96	3.0862	4.26757
Likuiditas	200	40.22	113.30	82.6006	12.73983
Solvabilitas	200	.05	.25	.1215	.03854
Efisiensi	200	.24	16.64	5.3951	2.49553
Good Corporate Governance	200	1.00	4.00	1.8400	.57972
Valid N (listwise)	200				

Based on table 1. the statistical results of the six research variables are known. From 25 samples and 8 periods (2010-2017) it can be seen that the variable asset quality (NPL) has an average value of 3.0862, which means that the average bank experiencing problem loans is 3.0862%. The standard deviation of 4,267 means that the standard deviation from the average value is 4,267%.

The Liquidity or Loan to Deposit Ratio (LDR) variable has an average value of 82.60, meaning that the

average level of bank liquidity is 82.60%. The standard deviation of 12,740, means that the standard deviation from the average value is 12,740%. This shows that the average sample has a large Loan to Deposit Ratio (LDR).

The average value of the solvency variable is 0.1215 with an average level of deviation of 0.0385. The highest average solvency value is 0.25 and the lowest average solvency value is 0.05.

Efficiency or NIM shows earning assets in generating net interest income. The bank that has the smallest NIM is Bank Mutiara, Tbk in 2014 which is equal to 0.24%, this means that the smaller the value of the NIM ratio, the higher the bank's efficiency capability. While the company that has the highest NIM value is PT. Bank Pundi Indonesia, Tbk in 2012 which amounted to 16.64%. And overall, the average NIM is 5,3951%.

The average value of the Good Corporate Governance variable is 1.84 with an average level of deviation of 0.579. The highest value of Good Corporate Governance is 4 and the lowest value of Good Corporate Governance is 1.

The variable profitability or Return On Assets (ROA) has an average value of 1.1665, which means that the average company has a profit of 1.1665%. The standard deviation of 2.245, means that the standard deviation from the average value is 2.245%. This shows the average sample has a small Return On Assets (ROA).

Multiple Linear Regression

The results of the data processing can be presented in table 4.3, as follows:

Table 2 Result of Double Linier Regression Parameters

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	-2.681	1.053		-2.545	.012			
	Kualitas aset	-.276	.026	-.524	-10.588	.000	-.622	-.605	-.504
	Likuiditas	-.014	.009	-.080	-1.601	.111	.075	-.114	-.076
	Solvabilitas	-.002	2.888	.000	-.001	.999	.113	.000	.000
	Efisiensi	.258	.045	.287	5.746	.000	.407	.381	.273
	Good Corporate Governance	1.073	.193	.277	5.561	.000	.446	.371	.265

a. Dependent Variable: Profitabiltas

Based on table 2. above we can make a linear regression equation model, as follows:

Y = -2.681 - 0.276 X1 - 0.014 X2 - 0.002 X3 + 0.258 X4 + 1.073 X5 + e

Based on the linear regression equation model above, it can be interpreted, as follows:

a = **constant = -2,681**
The constant value (a) of 2,681 indicates that, if the variable values of asset quality, liquidity, solvency, efficiency and Good Corporate Governance (GCG), equal to zero or constant, the value of Profitability (Y) is 2,681 units.

b1 = **Regression coefficient for X1 = - 0.276**
The value of the regression coefficient (b1) of 0.276 values (b1) which is negative indicates that there is an unidirectional effect between the profitability variable (Y) and the asset quality variable (X1), which means that if the value of the asset quality variable (X1) increases by 1 unit, the value of the variable Profitability (Y) will decrease by 0.276 units assuming that the other independent variables are constant

b2 = **Regression coefficient for X2 = - 0.014**
The value of the regression coefficient (b2) of 0.014 negative value (b2) indicates that there is an unidirectional effect between the Profitability variable (Y) and the Liquidity variable (X2) which means that if the value of the Liquidity variable (X2) increases by 1 unit, Profitability variable (Y) will decrease by 0.014 units assuming that the other independent variables are constant.

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b3 = **Regression coefficient for X3 = - 0.002**
The value of the regression coefficient (b3) of 0.002 value (b3) which is negative indicates that there is an unidirectional effect between the profitability variable (Y) and the solvency variable (X3), which means that if the value of the solvency variable (X3) increases by 1 unit, Profitability variable (Y) will decrease by 0.002 units assuming that the other independent variables are constant.

b4 = **Regression coefficient for X4 = 0.258**
The value of the regression coefficient (b4) of 0.258 positive value (b4) indicates a direct effect between the Profitability variable (Y) and the Efficiency variable (X4) which means that if the value of the Efficiency variable (X4), increases by 1 unit, then the magnitude of the variable value Profitability (Y) will increase by 0.258 units assuming that the other independent variables are constant.

b5 = **Regression coefficient for X5 = 1,073**
The value of the regression coefficient (b5) of 1,073 values (b5) which is negative indicates that there is an unidirectional effect between the profitability variable (Y) with the variable Good Corporate Governance (X5) which means that if the value of the variable Good Corporate Governance (X5), increases by 1 unit, then the value of the profitability variable (Y) will decrease by 1,073 units assuming that the other independent variables are constant.

Hypothesis test

1. Simultaneous Test (Test F)

Table 3. Test Results F

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	562.127	5	112.425	49.492	.000[a]
	Residual	440.692	194	2.272		
	Total	1002.819	199			

a. Predictors: (Constant), Good Corporate Governance , Likuiditas, Solvabilitas, Kualitas aset, Efisiensi

b. Dependent Variable: Profitabiltas

Based on table 3. above shows the value of Fsig equal to0,000 more smaller than 0.05, according to the stipulated provisions, this means that there is an effect of asset quality, liquidity, solvency, efficiency and Good Corporate Governance (GCG) simultaneously on Profitability (Y).

Table 4. Determination Coefficient (R square / R2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.749[a]	.561	.549	1.50719

a. Predictors: (Constant), Good Corporate Governance , Likuiditas, Solvabilitas, Kualitas aset, Efisiensi

Based on table 4. above it can be seen the amount of the coefficient of determination (R square / R2) of 0.561, this shows that the changes that occur in the Profitability variable (Y) of 56.1% are influenced by variables of asset quality, liquidity, solvency, efficiency and Good Corporate Governance (GCG), while the remaining 43.9% is explained by other factors.

Partial Test (t Test)

From the results of testing using computer aids with the SPSS.23.0 program, regarding partial effect analysis can be presented in table 4.6, as follows:

Table 5. Test Results t

Variable	t count	Sig	Information	Partial Correlation (r)	(r) 2
Asset Quality (X1)	-10,588	0,000	Significant	-0,605	0.366
Liquidity (X2)	-1.601	0.111	Not significant	-0,114	0.013
Solvency (X3)	-0.001	0.999	Not significant	0,000	0,000
Efficiency (X4)	5,746	0,000	Significant	0.381	0.145
Good Corporate Governance (X5)	5,561	0,000	Significant	0,371	0.138

Based on table 5 above can be interpreted, as follows:

a. Influence Asset Quality (X1) Partially on Profitability (Y)
Based on table 4.6 above shows the magnitude of the value of 0.000 (less than 0.05), then this means that there is an effect of asset quality (X1) partially on profitability (Y). The asset quality variable (X1) is able to explain the variable of profitability (Y), amounting to 0.366 or 36.6%.

b. Effect of Liquidity (X2) Partially on Profitability (Y)
Based on table 4.6 above shows the tsig value of 0.111 (greater than 0.05), then this means that there is no partial effect of Liquidity (X2) on Profitability (Y). The Liquidity Variable (X2) is able to explain the variable on Profitability (Y), amounting to 0.013 or equal to 1.3%.

c. Effect of Solvency (X3) Partially on Profitability (Y)
Based on table 4.6 above shows the magnitude of the tsig value of 0.999 (greater than 0.05), then this means that there is no partial influence of Solvency (X3) on Profitability (Y). The Liquidity Variable (X2) is able to explain the variable to Profitability (Y) is very small.

d. Effect of Efficiency (X4) Partially on Profitability (Y)
Based on table 4.6 above shows the magnitude of the tsig value of 0,000 (less than 0.05), then this means that there is a partial effect of Efficiency (X4) on profitability (Y). The Efficiency variable (X4) is able to explain the variable on profitability (Y), amounting to 0.145 or equal to 14.5%.

e. Influence Good Corporate Governance (X5) Partially on Profitability (Y)
Based on table 4.6 above shows the amount of tsig of 0.000 (less than 0.05), then this means that there is a partial influence of Good Corporate Governance (X5) on Profitability (Y). The variable Good Corporate Governance (X5) is able to explain the variable on profitability (Y), amounting to 0.138 or 13.8%.

Dominant Test

Based on the data obtained seen in Table 4.3 above, it appears that the largest beta coefficient is for the asset quality variable (X1) of -0.524 meaning that partially the asset quality variable (X1) has a dominant influence on profitability. Whereas the smallest influence on profitability is solvency variable (X3), with the smallest beta coefficient value of 0.

Discussion

Based on the results of calculations with multiple linear regression analysis obtained by the regression equation model below:

$$Y = 2.681 - 0.276 X1 - 0.014 X2 - 0.002 X3 + 0.258 X4 + 1.073 X5 + e$$

From the acquisition value of the multiple linear regression equation above it can be seen that the variable quality of assets, liquidity and solvency shows the value of the negative regression coefficient, it indicates the existence of a negative direction or unrelated relationship of the variables Quality of assets, liquidity and solvency to the dependent variable Profitability (Y). This can be interpreted that if the quality of assets, liquidity and solvency increases, the profitability will decrease, and vice versa if the quality of assets, liquidity and solvency decreases significantly. partial to the dependent variable Profitability (Y), profitability will increase. While efficiency and Good Corporate Governance (GCG) shows a positive regression coefficient, it shows a positive direction or direct relationship from the efficiency and Good Corporate Governance (GCG) variable to the dependent variable Profitability (Y). This can be interpreted that if efficiency and Good Corporate Governance (GCG) increases, the profitability will increase, and vice versa if the efficiency and Good Corporate Governance (GCG) decreases partially to the dependent variable Profit-

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ability (Y), Profitability will decrease further.

The value of the correlation coefficient (R) shows how closely the relationship between the independent variable is the variable Quality of assets, liquidity, solvency, efficiency and Good Corporate Governance (GCG) with the dependent variable that is Profitability (Y), the magnitude of the correlation coefficient is 0.749 means that the relationship variable Asset quality, liquidity, solvency, efficiency and Good Corporate Governance (GCG) with Profitability (Y) variables are closely related.

The coefficient of determination or R2 is used to measure how far the model's ability to explain the variation of the dependent variable (Y) is the profitability variable. The result of SPSS calculation is R2 = 0.561 which means that 56.1% Profitability can be explained by the variables of asset quality, liquidity, solvency, efficiency and Good Corporate Governance (GCG). While the remaining 43.9% is influenced by other variables outside the model studied.

Asset quality proxied by NPL has a significant negative effect on profitability

Based on the results of the study found that the variable Asset quality has a partial effect on profitability this can be known from the tig value of 0,000 or <0.05, then H0 is rejected at a significance level of 5% so that the conclusion is the variable Quality of assets (X1) has a significant negative effect on the profitability of banks going public in Indonesia.

Sign coefficient negative on the asset quality variable indicates that the higher the asset quality, the lower the bank's profitability. Vice versa, the lower the quality of assets, the bank's profitability will increase. This can be interpreted that the high quality of a bank's assets is a measure of the success of bank management in obtaining profits. The results of this study indicate that the magnitude of the quality of assets in banks going public in Indonesia affects the amount of profitability. This means that the first hypothesis which reads "There is a significant negative effect on asset quality on the profitability of banks going public in Indonesia", is proven true

These results are in line with the research of San et al (2013), Yesmine et al (2015) Chimkono et al (2016) and Ongore et al (2013) found that NPL had a significant negative effect. But contrary to research conducted by Jha et al (2012) where NPL does not have a significant effect on ROA. And research conducted by San et al (2013) and Bilal et al (2013) found that NPL negatively had no significant effect.

Liquidity which is proxied by LDR has a significant negative effect on profitability

Based on the results of the study found that the variable Liquidity has no partial effect on profitability, it can be seen from the tig value of 0.111 or> 0.05, then H0 is accepted at a significance level of 5% so that the conclusion is that the Liquidity variable (X2) does not have a significant negative effect on the profitability of going public banks in Indonesia.

Sign coefficient negative variable Liquidity indicates that the higher the Liquidity, the lower the profitability of banks. Vice versa, the lower liquidity the bank's profitability will increase. This can be interpreted that the high liquidity of a bank does not become a measure of the success of bank management in obtaining profits. The results of this study indicate that the amount of liquidity at banks going public in Indonesia does not affect the amount of profitability. This means that the second hypothesis which reads "There is a significant positive effect of liquidity on the profitability of banks going public in Indonesia", is not proven true

These results are not in line with the study of Rengasamy (2014) who found that LDR had a significant positive effect on ROA, in contrast to those studied by Almazari (2014) and Yesmine et al (2015) who found that LDR had a significant negative effect on ROA. The results of this study are in line with the results of the study of Jha et al (2012) who found that LDR had no significant effect on ROA.

Solvency which is proxied by ETA has a significant negative effect on profitability

Based on the results of the study found that the variable Solvability does not have a partial effect on profitability, it can be seen from the tig value of 0.999 or> 0.05, then H0 is accepted at a significance level of 5% so that the conclusion is the Solvency variable (X3) does not have a significant negative effect on the profitability of going public banks in Indonesia.

Sign coefficient negative on the Solvency variable shows that the higher the Solvency, the lower the profitability of banks. Vice versa, the lower the Solvency, the bank's profitability will increase. This can be interpreted that the high solvency of a bank is not a benchmark for the success of bank management in obtaining profits. The results of this study indicate that the magnitude of Solvency in going public banks in

Indonesia does not affect the magnitude of profitability. This means that the third hypothesis which reads "There is a significant positive effect of solvency on the profitability of banks going public in Indonesia", is not proven true

These results are not in line with research by Ongore et al (2013), Almazari (2014) and Dawood (2014) found that EAR has a significant positive effect on ROA, on the other hand San et al (2013) and Bilal et al (2013) found that EAR has positive but not significant effect on ROA.

Efficiency which is proxied by NIM has a significant positive effect on profitability

Based on the results of the study found that the variable Efficiency has a partial effect on profitability this can be known from the tig value of 0,000 or <0.05, then H0 is rejected at a significance level of 5% so that the conclusion is the Efficiency variable (X4) has a significant positive effect on the profitability of banks going public in Indonesia .

Sign coefficient positive on the Efficiency variable shows that the higher the efficiency, the higher the profitability of the bank. Vice versa, the lower the efficiency, the bank's profitability will decrease. This can be interpreted that the high efficiency of a bank becomes a measure of the success of bank management in obtaining profits. The results of this study indicate that the magnitude of efficiency in the bank going public in Indonesia affects the amount of profitability. This means the fourth hypothesis which reads "There is a significant positive effect on efficiency on the profitability of banks going public in Indonesia", is proven true

This result is not in line with the research of Prasetyo and Darmayanti (2015) showing that BOPO has a negative and significant effect on profitability in banking companies. This indicates that increasing the value of BOPO will reduce profitability, or the lower operational efficiency of banks will cause a decrease in profitability.

Good Corporate Governance (GCG) has a significant positive effect on profitability

Based on the results of the study found that the variable Good Corporate Governance (GCG) has a partial effect on profitability this can be seen from the tig value of 0,000 or <0.05, then H0 is rejected at a significance level of 5% so that the conclusion is the variable Good Corporate Governance (GCG) (X5) has a significant positive effect on the profitability of banks going public in Indonesia.

Sign coefficient negative on the variable Good Corporate Governance (GCG) shows that the higher Good Corporate Governance (GCG), the lower the profitability of banks. Vice versa, the lower the Good Corporate Governance (GCG), the bank's profitability will increase. This can be interpreted that the high Good Corporate Governance (GCG) of a bank is a measure of the success of bank management in obtaining profits. The results of this study indicate that the magnitude of Good Corporate Governance (GCG) in banks going public in Indonesia affects the amount of profitability. This means that the fifth hypothesis that reads "There is a significant positive effect on Good Corporate Governance on the profitability of banks going public in Indonesia", is proven true

These results are in line with research Putra et al (2017) found that GCG has a significant effect on ROA, on the other hand research conducted by Dogan et al (2013) has a significant negative effect on ROA. However, it is different from the results of research by Manda et al (2017) where GCG has not a significant positive effect on ROA.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Conclusion

Based on the results of the research and discussion in the previous chapter several conclusions can be drawn to answer the problem formulation. Some of these conclusions consist of:

1. Asset quality proxied by NPLs has a significant negative effect on the profitability of banks going public in Indonesia.
2. Liquidity that is proxied by LDR does not have a significant negative effect on the profitability of banks going public in Indonesia.
3. Solvency which is proxied by EAR has no significant negative effect on the profitability of banks going public in Indonesia.
4. Efficiency which is proxied by NIM has a significant positive effect on the profitability of banks going public in Indonesia.

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5. Good Corporate Governance (GCG) has a significant positive effect on the profitability of banks going public in Indonesia.

Suggestion

Based on the overall research results and conclusions obtained, some suggestions can be developed for interested parties in this research. The suggestions put forward are as follows:

1. It is hoped that it can further improve the quality of the company's assets so that investors are interested in investing their shares in the company.
2. The next researcher is expected to be able to continue the research with other variables beyond this studied variable in order to obtain more varied results related to profitability.

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